



**MICHIGAN
CHAMBER**
of Commerce

MEMORANDUM

To: Members of the House Tax Policy Committee

From: Dan Papineau, Michigan Chamber of Commerce

Date: December 4, 2018

Subject: SB 1097 - State Tax Liability for Michigan Businesses to Rise Due to Federal Tax Reform

Since the Federal Tax Cuts and Jobs Act passed at the end of 2017, Michigan businesses have been working to fully understand all the consequences of the massive reform. Now that the law is 9 months old and the Internal Revenue Service has been working around the clock to provide clarifying guidance, the focus has now shifted to analyzing state tax consequences of the federal reform.

One area that will have the greatest impact on a business's state tax liability is the new limitation on the amount of interest expenses that can be deducted from corporate income.

Under the Tax Cuts and Jobs Act businesses were limited in the amount of interest expenses that can be deducted from corporate income. This broadened the tax base allowing more income to be taxable. The federal tax reform included a significant rate reduction to more than make up for the base broadening, thereby still resulting in a tax cut on the federal level.

Michigan uses the federal tax base when calculating our state's Corporate Income Tax. The same tax base that was expanded by limiting the amount of interest that can be deducted from corporate income. Michigan will not be lowering our rate to make up for the base expansion and therefore, Michigan businesses will see an inadvertent increase in their state tax liability.

SB 1097 will allow Michigan businesses to disregard the interest expense deduction limitation when calculating corporate income and allow a business to avoid their tax base from expanding leaving their state tax liability untouched. This will put Michigan businesses in the same situation they were prior to federal tax reform.

Please support SB 1097.

Sincerely,

Dan

Dan Papineau

Director of Tax Policy and Regulatory Affairs

Michigan Chamber of Commerce

600 S. Walnut Street, Lansing, MI 48933

Direct: 517-371-7669. Fax: 517-371-7233. Cell: 586-441-9271.

Leading Businesses. Moving Michigan Forward.

Foreign Direct Investment Supports the JOBS MICHIGAN NEEDS

238,100
JOBS

QUALITY JOBS



238,100 workers in Michigan are employed as a result of global investment - an increase of over **60 percent** since 2010.

MANUFACTURING



155,700 workers in Michigan - **65 percent** of all FDI jobs in the state - are in the **manufacturing sector**.

GLOBALLY CONNECTED



Among all global employers, those from **Germany, Japan** and the **Netherlands** support the largest number of jobs in Michigan.

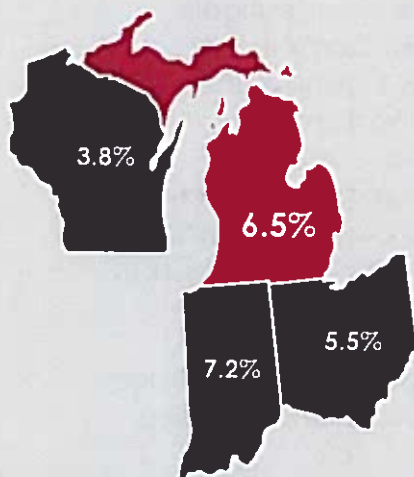
MANY EMPLOYERS



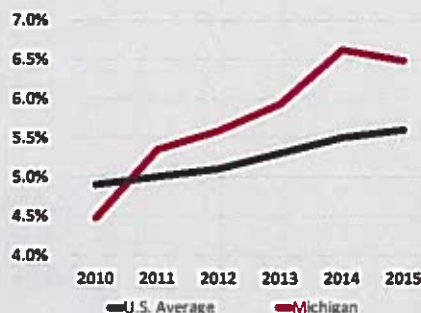
Nearly **1,000** global employers have operations in Michigan.

GLOBAL INVESTMENT CONTRIBUTES TO MICHIGAN'S ECONOMY

Michigan vs. Its Neighbors FDI Jobs as a % of Total Employment

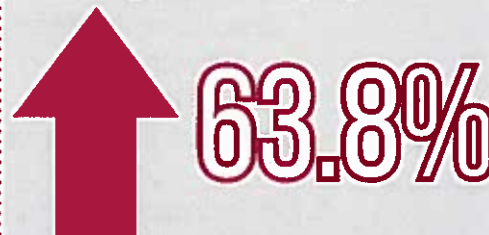


Michigan vs. USA FDI Jobs as a % of Total Employment



Michigan beats the national average in its portion of jobs supported by global investment.

In the past five years, Michigan's FDI employment...



while the state's overall private-sector employment



GLOBAL INVESTMENT SUPPORTS THE JOBS THAT AMERICA NEEDS

\$80,000

Good Paying Jobs. Across the nation, U.S. workers at global companies earn 24 percent higher compensation than the economy-wide average - making \$79,040 annually.

6.8 MILLION

Record Number of FDI Jobs. Nationally, 6.8 million U.S. workers are employed by global investment. In fact, these workers produce 23 percent of all U.S. exports.

2.5 MILLION

Strong Manufacturing Jobs. More than two million U.S. workers at global companies earn their living in the manufacturing sector - that is 37 percent of all FDI jobs.

OFII MEMBER COMPANIES IN MICHIGAN

ABB Inc.
Air Liquide USA
Akzo Nobel Inc.
Allianz of North America
BAE Systems
Balfour Beatty
BASF Corporation
Bayer Corp.
BBA Aviation
bioMérieux
BOSCH
BP
Bridgestone Americas Holding
BT
Bunzl USA, Inc.
CGI Group
Chubb
Continental Corporation
Daimler
DELPHI Automotive
DENSO
Deutsche Telekom
Diageo, Inc.
Doosan
DSM North America
G4S
Garmin International, Inc.
GKN America Corp.
Honda North America
Huhtamaki
Hyundai Motor America
IKEA North America Services, LLC.
Infineon Technologies Americas Corp.
InterContinental Hotels Group
Ipsen Biopharmaceuticals, Inc.
John Hancock Life Insurance Co.
Johnson Controls
Johnson Matthey
Kering
Kerry

Kia Motor Corporation
LafargeHolcim
The LEGO Group
L'Oréal USA
LyondellBasell
Magna International
Mahindra
Mazda
Nestlé USA, Inc.
Nissan
Oldcastle, Inc.
Panasonic Corp. of North America
Pearson Inc.
Randstad North America
Roche Holdings, Inc.
Rolls-Royce North America Inc.
SABIC
Sanofi US
SAP America
Schneider Electric USA
Shell Oil Company
Shire Pharmaceuticals
Siemens Corporation
Smith & Nephew, Inc.
Sodexo
Solvay America
Sony Corporation of America
Sumitomo Corp. of America
Swiss Re America Holding Corp.
The Tata Group
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